

Can the current recession affect future home design?

For those of you returning to your childhood home over the holidays, you might have noticed how much houses have changed over the years. Lifestyle trends, building product technologies and economic fluctuations have all had a hand in changing the American home. How will the current economic outlook affect the homes of tomorrow? If the current recessionary period is anything like those from the past, you may be surprised.

Building a new home can take many months to design and build. Successful home builders use all of their powers of perception to design a home today that will sell in the housing market tomorrow. As witnessed by current events, rapidly changing demographic and economic forces can play havoc on those future markets catching many home builders off guard with homes “that don’t sell”. These changing forces sometimes alter the design of homes – for better or worse.

Over the past thirty five years, economists generally recognize five economic recessions or crisis:

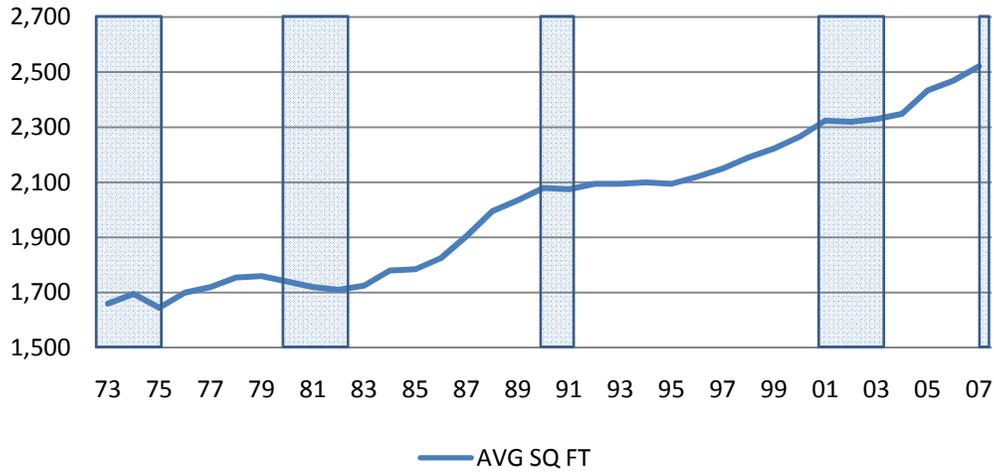
- The 1973 oil embargo
- The recession of the early 1980’s
- The recession of the early 1990’s
- The recession of the early 2000’s
- The current recession that started in 2007

Each of these events (blue shaded areas of the following graphs) had short and long term influences over the way homes are designed and built. Understanding these trends, home builders may be better able to predict the needs and demands of the future housing market.

Size matters

If you think the latest recession will lead to smaller homes, think again. Historical statistics show that past recessions have merely slowed the trend for larger and larger homes. With the exception of a slight decline in the late 1970’s, home sizes have steadily increased. The average home today is fifty percent larger than one built 25 years ago.

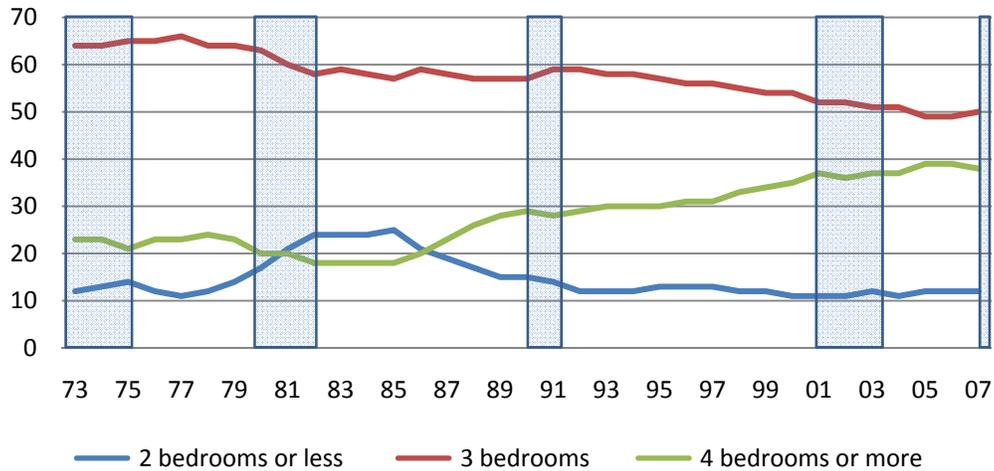
Average Square Feet of Living Space in a New Home



Sleeping Conditions

The recession of the early 1980's seems to be the only influence on the number of bedrooms in newly constructed homes. But, by the end of the 1980's that effect was corrected and a general trend toward homes with four or more bedrooms continues to this day.

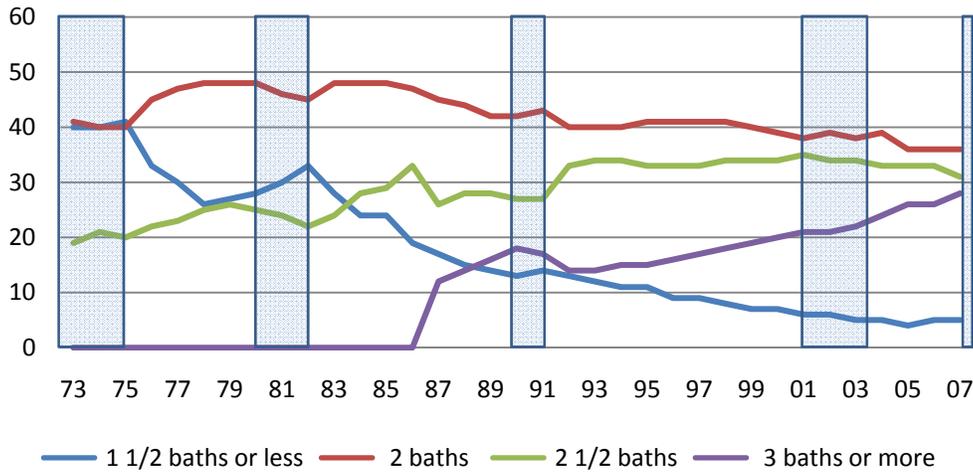
Number of Bedrooms (% of New Homes)



More Facilities

The events of the early 1980's had influence on the number of bathrooms in new homes, too. A trend of building more homes with only 1 full bathroom was quickly reversed by the end of the economic challenges. Prior to 1985, data for homes with three or more bathrooms is not available. But, like bedroom allocations, a continued trend toward more bathrooms has continued for almost twenty years.

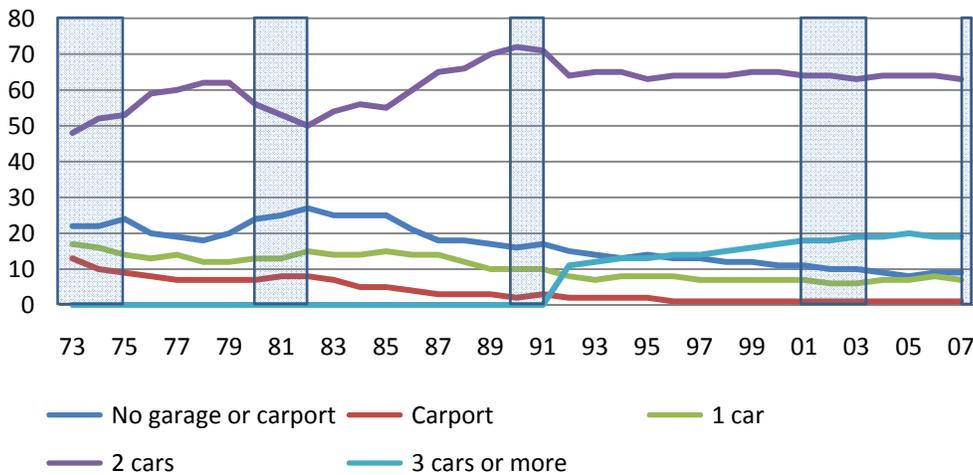
Number of Bathrooms (% of New Homes)



More Parking

The early eighties also affected the type of garage designed into new homes. The number of homes built with no garages increased to the detriment of homes with two car garages. But that trend quickly reversed after the negative economic affects subsided. For the past fifteen years, almost two thirds of all new homes built have two car garages.

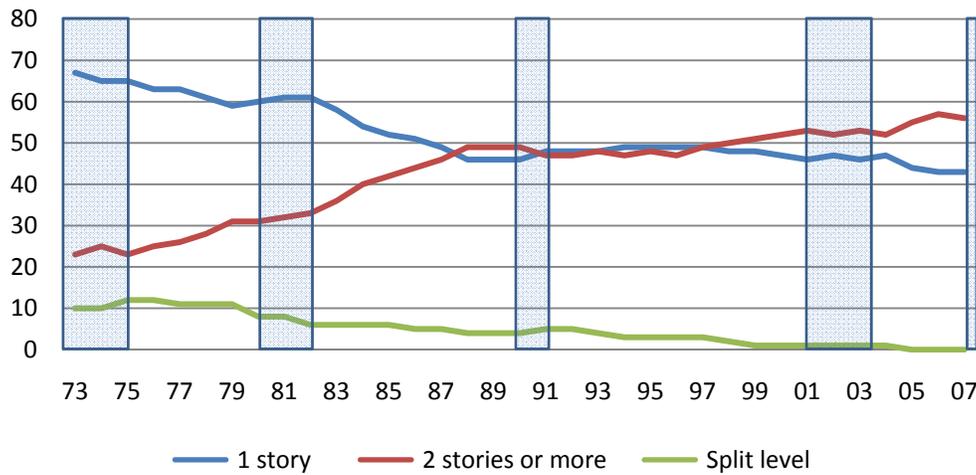
Types of Garages (% of New Homes)



Up, not out!

As the size of new homes steadily increased over the past 35 years, so too has the number of multiple storied construction. Again, the eighties recession seems to have the most effect, but for the last fifteen years the market is almost evenly split between single and multiple story homes with a slight deviation occurring since 2001. Even with a retiring baby-boom generation, the number of homes built on one floor seems to be counter intuitive.

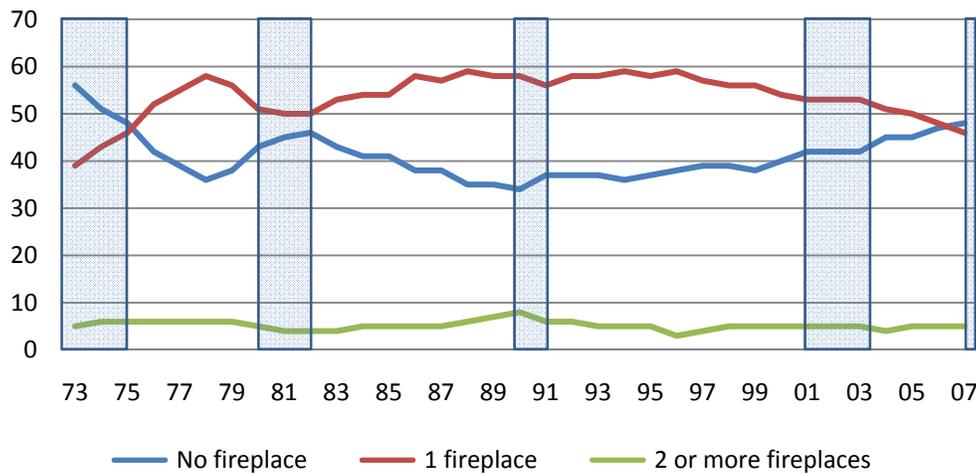
Number of Levels (% of New Homes)



Burn, baby burn!

The energy crisis of the early 1970’s seems to have the most affect on the inclusion of a fireplace in newly constructed homes. Were we intending to burn our fireplaces instead of our furnaces? Maybe so, but the recession of the early 1980’s reversed this trend and today the market is almost evenly split between homes with and without fireplaces. Even with the housing booms in warmer climates, we continue to want the warmth and glow of a fire.

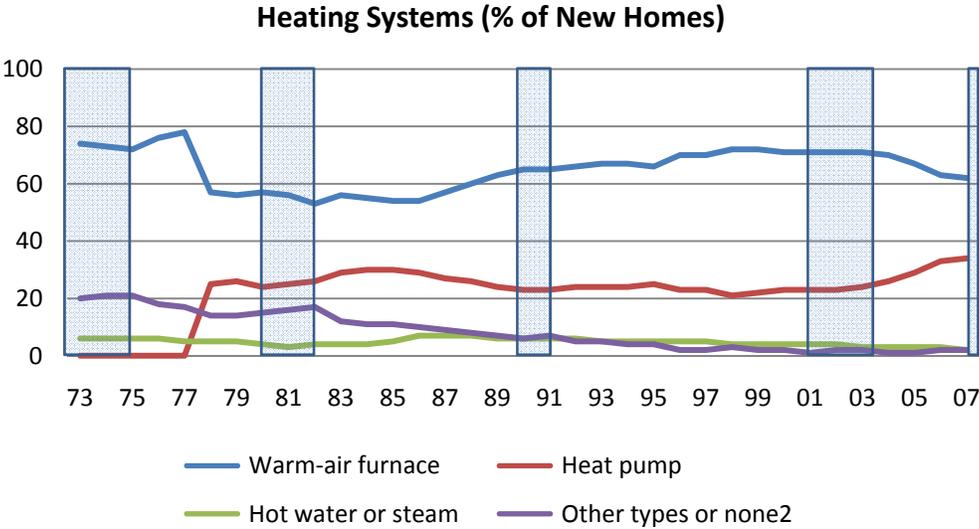
Fireplace Installation (% of New Homes)



The magic of heat pumps

Heat pumps were introduced to new homes in the mid-1970’s. Because of the oil crisis of the early 1970’s, heat pumps were accepted quickly as a more efficient way to heat a home. So much so, in 1978

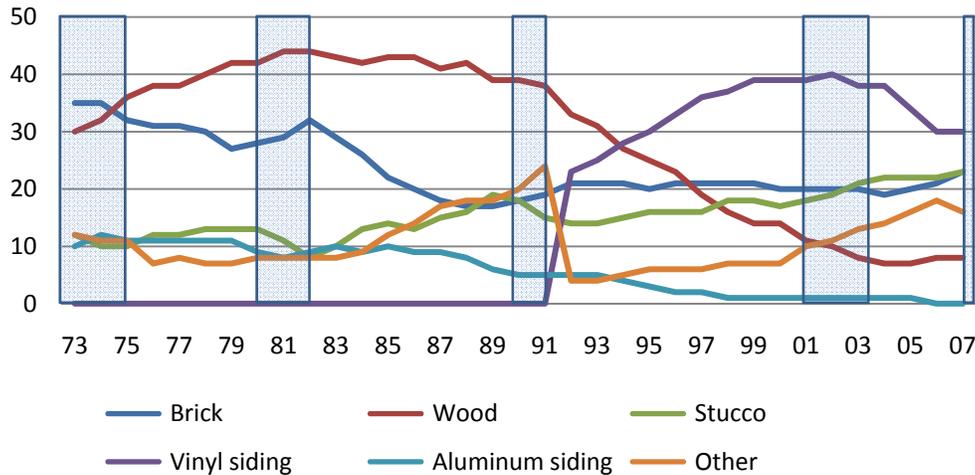
the U.S. Census created a new category to track heat pump installation. Since then, heat pump installations have remained relatively steady as their effectiveness has been questioned in many regions. In recent years, new advances in heat pump technology have resulted in increased market share. Will that trend continue? Possibly, but for more than a quarter of a century, warm-air furnaces have been the heat system of choice for the American home. Even after the 1973 oil crisis, solar, wind and geothermal technologies have continued on a disappointing trend of gaining little market share. Let's hope that trend changes soon.



The Way We Look

External siding had considerable changes over the past 35 years. Maintenance free vinyl siding took tremendous market share from an industry dominated by wood. It should be no surprise that low cost, easily installed, low maintenance building products are quickly accepted. Quickly in the building industry is a relative term as it took 20 years for vinyl siding to become the market leader (prior to 1992, vinyl siding sales were included in the "Other" category). Again the economic recession of the early 1980's seemed to affect the market most. Out of this recession new products and technologies were introduced to meet unfulfilled needs in the market. Primarily, vinyl siding products began to take market share from all of the other categories dominating the market in the early years of the new millennium. Recently, that domination is threatened by the introduction of fiber cement siding in the last part of the 1990's. Will that trend continue or will there other technologies emerging from this recession that will dominate future markets?

External Siding (% of New Homes)



What's Up With That?

So what does all this mean? Taking a line from our fractured financial system, we would like to declare that “past performances do not guarantee future results”. But if history teaches us anything, the history of American recessions of the last 35 years will probably not have much effect on housing styles and designs. Monetary and financial pressures of past economic challenges seem to have little lasting effect on the houses we want to live in.

But there are more factors that influence house design. The aging population, changing industries, immigration and emerging social trends all can change the kind of homes we build. These and hundreds of other natural and man-made issues will continue to contribute to the design and style of the American dream. Assuming that a serious economic downturn is going to drastically affect home design is just not true. The forces that change home design have been in the market for years and will continue to influence home design despite the economy. The economy may slow a trend or temporarily change its direction, but empirical data shows that a trend is a trend and will continue on its path despite the economy.

So where are we going?

The three home characteristics – square footage, number of bedrooms and number of bathrooms – won't change drastically. In fact, we think the average home size will continue to increase, more four bedroom homes will be built and these homes will have even more bathrooms. But the reason for this will not be to satisfy ego alone (although that will continue to influence the market). An aging population combined with improved health care means people live longer. Challenging economic conditions means that they may not have the money to do it.

House sizes will continue to grow because they need to support more people. Facilities for aging parents moving in with their children will be part of the new home design. More bedrooms, more bathrooms and even more fireplaces will be built for more people. Separate, self sustained living

quarters with separate entrances will be built all under one roof. The lines on the graphs will continue to increase - for reasons already in the market - while floor plans for those designs will satisfy new market demands.

Technology will play a large part of the new home design. New product developments spurred from stricter building codes, energy codes and manufacturer differentiation will allow larger homes to be built for less. Home designs will have to incorporate plugs and power sources for electric cars. Water collection and recycling along with solar panels and geothermal energy will be included in future designs as will improved home monitoring and control. "Smart" windows and doors and even "smart" walls and roofs will all maximize energy performance, minimize operating costs and help Americans keep their American dream alive.

The future house will be bigger, better, more efficient with wider hallways, fewer stairs and a place for more than just the immediate family. It will be repurposed to accommodate the lifestyle changes of a diverse population. The death of the dining room is finally a reality while larger, more versatile eating areas designed as part of the kitchen facilities will be in demand. Outdoor and even "semi-outdoor" areas will become more sophisticated. Studies, computer nooks and entertainment rooms will replace dining rooms, family rooms and dens as homes become more functional dwellings for occupants of all ages. Room sizes, floor plans and integrated functionality will be significant changes. But despite economic doom and gloom reports, homes will continue to get bigger because the more we ask for change, the more we really just want more - much more - of the same.